

Massachusetts Climate Action Network

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Acton Climate Action Team
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Cambridge Climate Action
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Clean Water Action
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Concord Green Team
Green Newburyport
HealthLink
Mass. Energy Consumers Alliance
Mass. PIRG

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Newton Green Decade Coalition
Northampton Citizens for Climate Protection
Salem Alliance for the Environment
Somerville Climate Action
Sustainable Arlington
Sustainable Lexington
Sustainable South Shore
Watertown Citizens for Environmental Safety
Westwood Environmental Coalition

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Comments for DTE Docket 04-11, NSTAR 2004 Energy Efficiency Plan

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1) Reasons for Involvement in this Proceeding

MCAN represents community groups throughout the state that are trying to reduce Massachusetts' greenhouse gas (GHG) emissions, through reducing fossil fuel use. In particular, we work with city and town governments, through the international campaign, Cities for Climate Protection (CCP), in which local governments commit themselves to make major reductions in their GHG emissions. We are also a member of the Non-Utility Parties (NUPs), and in that role attempt to represent the needs of both the public sector and residential utility customers.

Therefore, we are very involved in the use of the utility-operated efficiency programs by municipal governments, residential consumers, and businesses. We are particularly concerned that local governments make effective use of the programs, since our goal is for the governments to help lead their communities. In addition, because we work closely with city and town governments, we see clearly how the current budget crises make it difficult to implement any measures whose goal is environmental protection, as they compete with other critical services whose budgets are being slashed.

2) Prompt Approval Important on Loan Financing Proposal

In the view of MCAN, it is critical that this initiative be approved **as quickly as possible**, both because we believe that loan financing would substantially increase the number of efficiency projects undertaken by municipalities and small businesses; and because cities, towns, and many businesses throughout the state are in financial crisis, so that reduced utility bills would be of great benefit this year.

3) Financing Would Make a Substantial Difference for Municipal Projects

Through MCAN's community groups and contacts with municipal officials, we hear about the progress, or lack thereof, of city and town efficiency projects throughout Massachusetts.

Through the NUPs, we have extensive discussions with utility program staff regarding their perceptions of barriers that municipalities face in carrying out efficiency measures.

Along with NSTAR, it is our perception that rebate levels of 50, 60, or even 80 percent are often inadequate to convince city and town governments to go forward with projects. The reasons include:

a) at a time of fiscal crisis, it is difficult for a local government to spend even a small amount of money on efficiency projects, with so many other budget items being cut drastically.

b) within local government decision-making structures, there is an unfortunate separation between the officials and citizen committees that have responsibility for **capital** costs and those that are responsible for **operating** costs. As a result, a city/town "Finance" or "Capital Planning" committee will often turn down requests for bond financing of the municipal share of efficiency projects, due to concerns about the municipalities' overall debt and debt service levels. This certainly happens when capital expenditures are necessary that will increase overall costs for a year or two.

But it even happens when the operating budget savings in lower utility bills would immediately be greater than the debt service on the capital costs. This is because of the separation of responsibilities, so that those officials in charge of capital planning do not see utility bill savings as part of their mandate.

Financing, we believe, can help rectify this problem in two ways:

a) in comparison to a municipality simply paying for its share of the project with immediate cash from the operating budget, this spreads out the payments, so that the net effect on the budget, combining debt service and reduced utility bills, is a savings beginning in the first year.

b) Utility-sponsored financing may work better for municipal decision-making processes than obtaining funds through bonds. This other form of debt requires special treatment as capital expenses, at least involving a town capital planning committee and other bodies, and often requiring a special vote by a Town Meeting.

4) Financing Could Make More Effective Use of the SBC Funds, Increasing the Total Amount of Energy Savings Accomplished

Because of municipalities' difficulties in financing their projects, NSTAR has raised the rebate percentages available to cities and towns. While we favor such increases when they are necessary to get projects implemented, they obviously use up the available funding more quickly, reducing the total number of projects that can be funded.

The availability of a relatively pain-free financing mechanism should make it possible, eventually, to reduce the percentage rebates given to municipalities, as long as the

immediate effect on a municipality remains positive. This means that the available funds can be spread out to more projects.

5) Budget Crises Make Municipal Efficiency Savings Vital Right Now

For both financial and environmental reasons, the efficiency programs funded through the Systems Benefit Charge are always important. But this year, and probably for the next year or two, they are more critical than usual, because of the severe budget crises faced by the state government (which is cutting its own costs by slashing aid to cities and towns) and local governments. Savings on utility bills provide cost savings that help to alleviate budget deficits – and therefore can reduce the degree to which municipalities are forced to cut spending on education, human services, police and fire protection, etc.